

Future of Council Tax in Scotland

Scottish Government Consultation

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland. For information only England, Wales and Northern Ireland.

1. Executive Summary

The Scottish Government has launched a consultation on the long-term reform of **Council Tax**, aiming to create a fairer, more modern system. The consultation explores options to update property valuations, revise the band structure, and introduce measures to manage households impacts, including transitional relief, a deferral scheme, and potential adjustments to the Council Tax Reduction (CTR) scheme.

The proposals are evidence-based and informed by detailed analysis from the Institute for Fiscal Studies (IFS), forming part of a broader programme of engagement on local tax reform. Local authorities are key stakeholders, given the direct implications for revenue collection, administration, local variation in tax liability, and the broader impact on communities.

Responses are due by **Friday 30 January 2026**.

[Click here](#) to submit your response.

[Click here](#) to read the full report.

2. Overview

Council tax in Scotland is still anchored to property values last assessed in 1991. More than three decades on, the housing market has changed unevenly across the country. In some areas values have grown sharply; in others they have been relatively static. As a result, the link between the current distribution of property values and the distribution of council tax liability has weakened over time. This has created growing concerns about fairness, transparency, and the credibility of the system with the public.

The broad strengths of the system are well recognised: it raises stable and predictable revenue, it is straightforward to administer, and it is widely understood. But the age of the valuation base and the limited number of bands mean that households occupying different

properties of very different current values can face similar bills, while other households may be paying more than would be expected today.

These issues have been examined repeatedly. The **Commission on Local Tax Reform (2014)** identified clear regressivity within the current structure and highlighted the case for a more progressive property-based tax. More recently, the **Joint Working Group on Council Tax Reform (2022-2025)** reaffirmed that the overall architecture of council tax is sustainable, but the valuation base and banding system now require modernisation. The **Institute of Fiscal Studies (IFS) modelling** used to support the consultation provides a consistent and transparent way of assessing potential reforms and understanding their distributional impacts across Scotland.

Current System

The key elements of the current framework are well established:

- Properties allocated to bands A-H using 1991 valuations.
- Councils set their own Band D rate; all other bands follow national ratios.
- Council Tax Reduction (CTR) provides means-tested support and is the principal affordability mechanism.
- Revenue retention at council level, with the grant system addressing local variation in tax base.

While these features support stability and local discretion, the reliance on historic valuations increasingly limits the system's ability to reflect today's market and ensure a fair distribution of liability.

Options under Consideration

Revaluation

Revaluation would update the system to reflect current property values. It would not increase total revenue nationally, but it would realign household bills with the contemporary housing market. Establishing a regular revaluation cycle (typically every 5-10 years) would prevent large step changes and support the long-term credibility of the system. This approach is common internationally and helps maintain fairness over time.

National or Local Band Thresholds

The consultation presents two possible approaches:

- **National thresholds**, where the same band thresholds apply everywhere. This supports comparability and ensures a shared national framework.

- **Localised thresholds**, where councils set thresholds in line with local markets. This offers greater flexibility but introduces complexity, potential inconsistency, and additional administrative responsibilities.

Councils may wish to consider the balance between national consistency and local responsiveness, particularly in areas with rapidly diverging property values.

Revised Band Structures

IFS modelling explores several revenue-neutral alternatives to the existing eight-band structure:

1. Retention of the **8 existing bands** (post-revaluation).
2. A **12-band “differentiated”** model with smoother steps between bands.
3. A **12-band “progressive”** structure with steeper increases at the upper end.
4. A **14-band** model offering the greatest granularity.

These options differ mainly in how liability is distributed across the value range. Models with more bands or greater progressivity generate clearer distinctions between properties with meaningfully different contemporary values, and may address long-standing concerns about fairness at the top end of the market.

Managing Household Impacts

Transitional Relief

Any revaluation will result in changes to household liabilities, with some facing increases and others decreases. Transitional relief smooths the impact by capping annual increases. Two options have been modelled:

- **10% or £300 cap**, whichever is smaller.
- **25% or £600 cap**, whichever is smaller.

While transitional relief helps households adjust, it adds administrative complexity and delays full alignment of bills with the new valuation base. Decisions around design, funding and duration will have practical implications for councils.

Deferral Scheme

A deferral scheme would support households, particularly those who are asset-rich but income poor, who may struggle to manage higher bills even with transitional relief. Deferral allows eligible households to postpone payment until a future trigger such as the sale of the property. Councils may wish to consider eligibility criteria, interest rates, repayment arrangements, and the administrative implications of keeping deferred liabilities on record.

Council Tax Reduction (CTR)

CTR remains the central tool for supporting low-income households. The consultation explores whether the scheme should be expanded or adjusted to protect those who could face increases under a modernised system. Possible changes include widening eligibility or smoothing the taper so support withdraws on a more gradual basis.

Issues for Councils

As councils consider the reform options, the following points may be particularly relevant:

- **Administrative capacity:** handling a revaluation, managing appeals, delivering transitional relief, and administering any deferral scheme.
- **Distributional shifts:** changes in relative liability across neighbourhoods, reflecting three decades of divergent property value growth.
- **Revenue stability:** although reforms are revenue-neutral nationally, local revenue patterns may shift depending on the composition of the tax base.
- **Local priorities:** alignment with objectives around poverty reduction, cost of living pressures, demographic change, and local housing market characteristics.
- **Equalities and Island considerations:** ensuring reforms work fairly for protected groups and remote or island communities.
- **Long-term sustainability:** the extent to which modernisation improves public understanding, transparency, and trust in the system.

3. Consultation Questions

Please note this briefing provides only an overview of the consultation. Organisations are strongly encouraged to read the full consultation document before providing responses, as detailed context, evidence, and supporting analysis are set out there.

1. **Do you think the current council tax system in Scotland needs to be reformed?**
2. **Do you think property values used to calculate council tax should be updated to reflect current market values, instead of using 1991 values (i.e. should there be a revaluation of every property in Scotland)?**
3. **How often do you think property values should be reviewed and updated for council tax purposes?**
4. **Following a revaluation, do you think council tax band property value thresholds should be set at a national level or vary by council area?**

5. Which of the following is the most important to you in the design of council tax bands?

- *Ensuring tax rises between bands are gradual and predictable (differentiation)*
- *Ensuring households in higher-value homes contribute more (progressivity)*
- *Don't know*
- *Other (please specify)*

6. Which of the potential council tax systems do you most support?

- *Revaluation with 8 existing bands*
- *Revalued 12-band (differentiated) system*
- *Revalued 12-band (progressive) system*
- *Revalued 14-band system*
- *The current council tax system*
- *Don't Know*

7. Which of the potential council tax systems set out in question 6 do you least support?

- *Revaluation with 8 existing bands*
- *Revalued 12-band (differentiated) system*
- *Revalued 12-band (progressive) system*
- *Revalued 14-band system*
- *The current council tax system*
- *Don't Know*

8. Do you support the establishment of a transitional relief scheme to limit how much a household's council tax bill can increase each year following reform?

9. Which transitional relief scheme would you prefer?

Transitional relief schemes involve a trade-off between the scale of support provided and how much it costs. Two example schemes are described below:

Scheme 1 – *council tax gross bill increases would be limited to 10% or £300 (whichever is lower) each year, for four years.*

- *This would support a broader group, including households who face smaller but still significant increases.*
- *By virtue of having a wider scope, and capturing more recipients, it is likely to include more low and middle value properties than scheme 2. However, it would also be more expensive than scheme 2.*

Scheme 2 – *council tax gross bill increases would be limited to 25% or £600 (whichever is lower) each year, for four years.*

- *This would be more targeted, helping those facing the largest jumps in bills, such as those moving up two or more bands.*

- *It would focus support on a smaller group, who are more likely to be those in high-value homes in areas where prices have risen sharply. It would be less expensive than scheme 1.*

10. Do you support the establishment of a council tax deferral scheme for homeowners?

11. In your view, who should be eligible to receive support from a council tax deferral scheme?

12. Should households who defer payment pay interest on the amount deferred?

13. Do you think the Council Tax Reduction scheme should be expanded to support more households following any reform?

14. Which changes to the Council Tax Reduction scheme would you support?

15. Do you have any information you wish to share that has not already been discussed in the paper on the impact of council tax reform on any of the following:

- *Groups who share protected characteristics*
- *Island communities*
- *Businesses or organisations in the public, private or third sector*
- *Your local area*

16. Please provide any other comments or views on the consultation themes or council tax reform that you have not been able to share above.

4. APSE Comment

APSE encourages our members to engage with the future of Council Tax in Scotland consultation and to submit their responses by the 30 January 2026 deadline.

Local authorities are operating their services in very difficult financial circumstances and consideration should be given to the impact that changes to Council Tax may have, including those within the briefing but also unintentional consequences.

[Click here](#) to submit your response to the consultation.

Sophie Boyle,
Research and Information Officer
sboyle@apse.org.uk

Louise Melville,
Principal Advisor (Scotland)
lmelville@apse.org.uk

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Association for Public Service Excellence
3rd floor, Trafford House, Chester Road,
Manchester M32 0RS. telephone: 0161
772 1810 fax: 0161 772 1811 web:
www.apse.org.uk